



The Florida Senate

Interim Project Report 2000-19

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Committee on Commerce and Economic Opportunities

Senator George Kirkpatrick, Chairman

DISTRESSED URBAN CORES: LINKING COMMUNITY DEVELOPMENT AND WAGES STRATEGIES

SUMMARY

Through the utilization of a survey and personal interviews, this project seeks to determine the feasibility of, need for, and merits of an urban community redevelopment initiative, similar to the Retention Enhancing Communities Initiative (RECI) proposed by the Senate in 1999. (See CS/SB 260, 2nd Eng., which died in House messages.) The project also solicits feedback on how such an initiative should be structured, administered, and funded.

The Legislature may wish to consider a modification to RECI which builds on existing systems, retains the basic tenets of RECI, and incorporates the feedback from surveys and interviews found in this report. With the goal of promoting self-sufficiency by building better communities in which Work and Gain Economic Self-sufficiency (WAGES) Program participants reside, this modified RECI proposal would link WAGES funds and community revitalization initiatives by providing funding to assist in the implementation of existing community redevelopment plans.

BACKGROUND

During the 1999 session, several community redevelopment initiatives were in the spotlight. First, the Growth Policy Act (discussed further in the "Findings" section of this report), ch. 99-378, L.O.F., established a voluntary program (with a corresponding grant program) for local governments to designate urban infill and redevelopment areas for the purpose of holistically approaching the revitalization of urban centers and ensuring the adequate provision of infrastructure, human services, safe neighborhoods, educational facilities, job creation, and economic opportunity. Second, two components of Front Porch Florida (discussed further in the "Findings" section of this report), the urban homesteading program and the housing tax credit program, passed the Legislature in the Growth Policy Act, while Front Porch Florida as a

whole was discussed as a budget issue with the Legislature providing \$5.7 million for Front Porch Florida funding in fiscal year 1999-00, including funds for micro-enterprise loans and urban brownfield cleanup and redevelopment. Third, the Senate adopted legislation creating the Retention Enhancing Communities Initiative (RECI). (See CS/SB 260, 2nd Eng., which died in House messages.)

RECI was an attempt to leverage state, federal, and local resources for comprehensive economic development and community redevelopment activities in distressed urban cores, with the goal of benefiting participants in the Work and Gain Economic Self-sufficiency (WAGES) Program, as well as other Floridians, residing and holding or seeking employment in these areas. The concept underlying RECI was that communities would organize themselves and come to the table prepared to *leverage* their resources with state resources. With an effective date of July 1, 1999, CS/SB 260, 2nd Eng., required RECI projects to be fully operational by January 1, 2000, and completed by December 31, 2001. Swift completion of projects was of particular importance because proposed funding for RECI was up to \$50 million in Temporary Assistance for Needy Families (TANF) funds, which some policy makers believed would be reclaimed by the federal government if not used. (See "Findings" section for further discussion on the use of TANF funds.)

More specifically, RECI required the WAGES Program State Board of Directors to select 14 communities in the state's seven largest counties to compete for participation in RECI. The selected communities had to be compact, congruent, and contiguous census tracts that had the highest concentrations of current or former WAGES Program participants. Based on a proposal submitted by the community, the WAGES Program State Board of Directors was required to select up to nine of these communities to further compete for projects in six

RECI elements. RECI elements included: 1) WAGES Community Safety, to provide awards for activities designed to reduce crime and increase safety, including training and employing WAGES Program participants in safety positions, making safety infrastructure improvements, and establishing security businesses; 2) WAGES Community Builders, to provide awards for short-term cleanup projects, as well as planning and implementation of large-scale revitalization efforts; 3) WAGES Community Businesses, to provide awards for small business development projects, including recruitment of national franchise operations, micro loans, guaranteed loans, technical assistance, self-employment, and business incubators; 4) WAGES Community Schools, to provide awards to upgrade schools and to provide training and employment to WAGES Program participants to assist with transportation, school services, and security; 5) WAGES Community Partnerships, to provide matching grants and awards for the payment of tax credits to businesses that contribute to projects in RECI communities that are eligible under the Community Contribution Tax Credit Program; and 6) WAGES Community Redevelopment, to provide awards for projects leading to residential, mixed-use, and commercial development, as well as residential and business infrastructure redevelopment projects.

With the exception of the WAGES Community Redevelopment element, required to be administered by the Office of Tourism, Trade, and Economic Development, RECI provided for the administration of the remaining elements by the WAGES Program State Board of Directors or its designated agents. Administration of RECI at the local level was by the agent named in the community's RECI proposal.

METHODOLOGY

This interim project principally utilized a survey to gather information relating to the feasibility, need, and merits of an urban community redevelopment initiative. The survey was also used to solicit information on how such an initiative should be structured, administered, and funded. Surveys were mailed to potential urban redevelopment partners, including community-based organizations, local governments, statewide associations, economic development practitioners, community development corporations, and chambers of commerce across the state. Mailing lists for these individuals were collected from a variety of sources, including the Work and Gain Economic Self-sufficiency Office, the Department of Community Affairs, the Office of Tourism, Trade, and Economic

Development, and the Office of Program Policy Analysis and Government Accountability. Because the survey sought to garner feedback on redevelopment for distressed *urban* areas, mailing lists were edited to remove individuals or organizations representing small cities or counties¹.

Additional information was collected from meetings with representatives of governmental agencies and public-private partnerships for feedback on the merits of such a program. These organizations included the Florida Agricultural and Mechanical University's Institute of Urban Policy and Commerce, the Department of Community Affairs, the Department of Children and Family Services, Enterprise Florida, Inc., the Work and Gain Economic Self-sufficiency Office, the Office of Urban Opportunity, and the Office of Tourism, Trade and Economic Development.

FINDINGS

Survey Results

Of more than 400 surveys mailed, 37 surveys were completed at this writing, which represents a response rate of approximately 10 percent. The majority of responses came from local governments and those entities (private sector businesses, educational institutions, advocacy boards) involved in the WAGES Program (46 percent and 38 percent respectively).

The goal of the survey was two fold. First, the survey attempted to assess the respondent's perspectives on the specific RECI proposal, or on a generic redevelopment initiative similar to RECI. Second, the survey collected information on effective state-supported programs for improving conditions in distressed urban areas, barriers to community development, principal programs currently in use in the community, and community plans for redevelopment of distressed urban areas. Below, following the order in which questions were presented on the survey, are summaries of the survey responses.

Effective Programs -- The survey asked an open-ended question for each respondent to list, in priority order, the five most effective state-supported programs for improving conditions in distressed urban areas. The

¹ For purposes of this report, a small city or county was defined as having an estimated population of less than 50,000 people.

five programs most frequently cited as being the most effective state-support programs were the:

- Enterprise Zone Program, which received six first-place votes and a total of 13 top-five votes;
- State Housing Initiatives Partnership (SHIP), which received six first-place votes, and a total of 13 top-five votes;
- Community Development Block Grant (CDBG) Program, which received no first-place votes, but a total of seven top-five votes;
- Home Investment Partnership Program (HOME), which received no first-place votes, but a total of four top-five votes; and
- Urban Job Tax Credit Program², which received no first-place votes, but a total of four top-five votes.

When asked what principal local programs exist in the community to encourage community development, respondents most frequently named the Enterprise Zone Program, CDBG, and various loan programs.

Barriers to Community Development -- The survey asked an open-ended question for each respondent to list, in priority order, the five most significant barriers to achieving substantial economic development and community development in his or her community. The five barriers most frequently cited by respondents were:

- Lack of funding, including capital and financing for businesses, which received eight first-place votes, and a total of 16 top-five votes;
- Lack of a skilled workforce, which received four first-place votes and a total of nine top-five votes;
- Negative perception of the community, which received four first-place votes, and a total of eight top-five votes;
- Lack of transportation, which received two first-place votes, and a total of eight top-five votes; and

- Lack of training for unskilled workers, which received three first-place votes, and a total of seven top-five votes.

Comprehensive Community Redevelopment Plan -- When asked if the community currently has a comprehensive community development plan for revitalization of distressed urban areas, more than half the respondents (54 percent) answered “yes,” with the majority (90 percent) of these plans being implemented.

Plan Components -- The survey asked respondents to rank the importance of the inclusion of specified components in a comprehensive community redevelopment plan for distressed urban areas, using a scale of one to five, with one representing “extremely important” and five representing “not at all important.” With the exception of “Community Organization,” defined as efforts to organize stakeholder groups, these components were patterned after those contained in RECI (discussed further in the “Background” section of this report). Based on calculations which produced an average effectiveness rating, all components were viewed as being somewhat important, with the “Community Organization,” “Community Redevelopment,” and “Community Safety” components, in particular, receiving the most favorable average importance ratings of 1.7 each. Other programs that received notably favorable importance ratings were “Community Business” (1.8), and “Community Partnerships” (1.9).

Funding -- The survey asked several questions regarding what state, federal, and local funds could be directed into community redevelopment projects, and how federal TANF funds could be incorporated into these projects. The state and federal funding most frequently cited by respondents were funds from the: Community Development Block Grant (CDBG) Program, State Housing Initiatives Partnership (SHIP), Workforce Investment Act, and Home Investment Partnership Program (HOME). Local funding sources most frequently cited include CDBG funds, local community redevelopment funds, and tax increment financing. When asked how the community might propose to incorporate TANF funding into a redevelopment plan, the most common response was to use these funds for support services to eligible populations, including child care, transportation, security/utility down payment assistance, affordable housing, business loans, job placement, and training services.

² It appears that the Urban Job Tax Credit Program listed by respondents, refers to the Urban High-Crime Area Job Tax Credit Program created in s. 212.097, F.S.

Program Criteria and Administration -- The survey asked respondents to rank the importance of various criteria in determining eligibility for a community to participate in a program like RECI, using a scale of one to five, with one representing “extremely important” and five representing “not at all important.” An average effectiveness rating was then calculated for each of the listed components. With an importance rating of 1.7, the most important criteria in determining eligibility for a community to participate in a program like RECI was that the community has a high percentage of residents who are current or former WAGES Program participants. A summary of the rankings is as follows:

Criteria	Rank
Community has a high percentage of residents who are current or former WAGES Program participants	1.7
Community has an enterprise zone, federal empowerment, brownfield, or similar designation	2.3
Community proposes to match state resources	2.5
Community with a high crime rate	2.5
Inclusion of a large number of community-based organizations in the community’s proposal	2.6
Community has a high population	3.1
Community has significant amount of land available for development	3.2

One criteria for participation in a community development program such as RECI that the respondents ranked as being least important was that the community has a high population. It is noteworthy that by allowing only the seven largest counties to participate, RECI was predicated substantially on this criteria of high population.

RECI required projects under the six elements be completed within two years. The survey asked whether this time period was sufficient, and, if the respondent answered “no,” asked for an alternate time period. Most respondents (77%) answered “no,” and provided an average time frame for project completion of 4.6 years.

RECI did not specify which organization or entity would be ultimately responsible for applying for participation in RECI. Rather, RECI envisioned an application submitted and coordinated by the entire community. When asked for their input on the most effective application process, respondents most frequently indicated that applications should be submitted and coordinated by local governments. When asked to identify the types of community-based organizations that should be active participants in the application process for a program like RECI, respondents frequently cited government, community development corporations, neighborhood associations, housing authorities, faith-based organizations, health and social service agencies, schools, chambers of commerce, and law enforcement agencies.

The survey asked respondents what benefits or strengths they perceived in RECI. The benefits most frequently cited were the comprehensive and community-based approach RECI utilized. When asked what weaknesses the respondents perceived in RECI, sample answers included that too few communities may participate, that the program may be too broad, and that the established time frames are too short.

Interview Results

Representatives of the Florida Agricultural and Mechanical University’s Institute of Urban Policy and Commerce, Department of Community Affairs, Department of Children and Family Services, Enterprise Florida, Inc., Work and Gain Economic Self-sufficiency Office, Office of Urban Opportunity, and Office of Tourism, Trade and Economic Development were interviewed to determine the merits of an urban community redevelopment initiative similar to RECI.

While most interviewees acknowledged the need for and benefit of an urban community redevelopment initiative, all expressed some concerns regarding particular elements of RECI. The predominate concern among interviewees was the use of TANF funds for RECI projects. Because of the breadth of RECI, interviewees cautioned that incompatibility might exist between the use of TANF funds and RECI projects. This is of significance because without other state resources, funding incompatibility has the potential to leave many RECI elements unfunded, and if the local community could not fund the remaining elements, the comprehensive approach of RECI would be jeopardized.

Most interviewees also stressed the importance of a redevelopment proposal which is dependent upon “grassroots efforts,” and one in which participation by all community partners is required and incentivized. Some predict that community redevelopment will not be successful if the community or neighborhood does not “buy into” the effort. Consistent with this thinking, the Division of Housing and Community Development in the Department of Community Affairs (DCA) promotes, as a result of both extensive research and field experience throughout the state, a particular model for doing neighborhood revitalization projects. This is called the RUN model (Rebuilding Urban Neighborhoods), and is set forth in two DCA publications: *A Guide to Neighborhood Revitalization* and *Rebuilding Our Neighborhoods -- A How-To Manual*. This model is designed to be both holistic, meaning that a revitalization effort must address the full range of significant issues within the life of the neighborhood (i.e., public safety, housing, health care, education, employment, recreation, human services, public works, etc.), and collaborative, meaning anyone or any organization that has a stake in the outcome needs to be involved in the revitalization effort.

When discussing RECI’s relationship with Front Porch Florida, some interviewees viewed the two programs as being similar in scope. However, in light of the fact that Front Porch Florida is starting to be implemented, interviewees saw merit in a “pared down” version of RECI, one which would allow Front Porch Florida to draw upon RECI as a resource. For example, a Front Porch Florida community implementing a redevelopment plan, could make application to a designated entity for a grant of TANF funds. The application could outline what TANF eligible projects, already included in the community’s plan, would be funded with TANF funds for the benefit of the entire plan. Upon showing of community support and partnerships, this same approach could be used for communities that are not Front Porch Florida communities, but which have come together on their own, or under the purview of another program, to create and implement a redevelopment plan.

Front Porch Florida

Front Porch Florida is an initiative by the governor which seeks to advance an urban policy that will release the power of local communities in Florida’s urban cores to rebuild their neighborhoods through a redevelopment process that is neighborhood asset-based, community-focused, and relationship-driven. Modeled after the “Front Porch

Alliance,” launched by the mayor of Indianapolis in the fall of 1997, Front Porch Florida strives to empower urban core residents to define and craft solutions to their problems, while bringing to the table those who influence education, economic, and environmental circumstances.

Front Porch Florida and RECI similarly strive to improve schools, reduce crime, increase economic opportunities, stimulate infrastructure development, and promote affordable housing in distressed urban areas, with RECI more narrowly targeting current and former WAGES Program participants in those areas. The fundamental difference in Front Porch Florida and RECI is the approach the programs take to achieve their goals. RECI proposed to utilize a competitive process with communities competing for funds from a designated funding source, and although some state funding to Front Porch Florida was appropriated, Front Porch Florida appears to provide more of a coordination role to selected communities.

Other differences between these programs include the selection of participating communities and the length of the program. Selection of a Front Porch community is conducted by the Office of Urban Opportunity without statutorily established selection criteria, while communities wishing to participate in RECI would have had to compete for such participation (based on a project proposal) and also meet prescribed selection requirements. Furthermore, RECI had a much shorter time frame for project completion. With a July 1, 1999 effective date, RECI projects were required to be fully operational by January 1, 2000, and completed by December 31, 2001. Conversely, the Office of Urban Opportunity has until 2002 to select the 20 participating Front Porch Florida communities. The office has begun the community selection process with applications mailed out and due back by September 15, 1999, with a target date of October for the selection of the first three Front Porch Florida communities.

In conclusion, while RECI and Front Porch Florida’s goals are much the same, their approaches are not. In addition, while timing of the programs may be such that they are implemented concurrent to each other, the programs may serve to complement each other, with a modified RECI being another tool for Front Porch Florida communities to use in their redevelopment strategy.

Urban Infill and Redevelopment Areas

The Growth Policy Act, ch. 99-378, L.O.F., establishes a voluntary program for local governments to designate urban infill and redevelopment areas for the purpose of holistically approaching the revitalization of urban centers and ensuring the adequate provision of infrastructure, human services, safe neighborhoods, educational facilities, job creation, and economic opportunity.

To designate such areas, the local government must prepare a plan, which must be adopted by ordinance, that describes the infill and redevelopment objectives or demonstrates that an existing plan or combination of plans associated with a community development area, Florida Main Street program, Front Porch Florida Community, sustainable community, enterprise zone, or neighborhood improvement district meets specified criteria. Such criteria include that the plan must provide a framework for coordinating infill and redevelopment programs within the urban core; identify and adopt a package of financial and local government incentives which the local government will offer for new development, expansion of existing development, and redevelopment within the urban infill and redevelopment area; and demonstrate a collaborative and holistic community participation process.

Counties and municipalities that adopt urban infill and redevelopment plans may issue community redevelopment revenue bonds; may employ community redevelopment tax increment financing; may exercise the powers of a neighborhood improvement district (including the authority to levy special assessments); and have priority in the allocation of private activity bonds. Furthermore, counties and municipalities with urban infill and redevelopment areas are eligible for grant funds of which 30 percent must be available for planning grants, 60 percent must be made available for 50/50 matching grants, and 10 percent must be used for outright grants for smaller scale projects. Projects that provide employment opportunities to WAGES Program participants are given elevated priority in the scoring of competing grant applications. In fiscal year 1999-00, the Legislature appropriated \$2.5 million from nonrecurring general revenue to the Department of Community Affairs for the purpose of funding the Urban Infill and Redevelopment Grant Program.

TANF as a Funding Source

Federal law requires states to use TANF funds consistent with the purposes of the federal Personal Responsibility and Work Opportunity Reconciliation Act (Pub. L. No. 104-193), which contains strong work requirements, places a time limit on most assistance, reduces welfare dependency, and encourages two-parent families. With regard to use of funds for community redevelopment, federal law allows the use of TANF funds for community development projects which issue grants to local welfare planning councils for their use in addressing TANF recipient needs within a specific locale; to provide loans to small businesses if they agree to hire and train TANF recipients; to fund a micro-enterprise development initiative; and to fund Community Development Corporation (CDC) projects or community-based organizations that employ TANF clients, for example, by covering the appropriate share of planning, development, and implementation costs.

Flexibility under TANF exists as states may spend their state maintenance-of-effort (MOE) funds within the TANF program or in "separate state programs" that are not subject to many of the TANF requirements, and final regulations published by the federal Department of Health and Human Services define certain TANF expenditures as services which do not carry with them the same restrictions that would apply to TANF funds used for assistance. (*See* 45 CFR Part 260, et al., April 12, 1999.) However, an unobligated TANF balance after October 1, 1999, must be spent on ongoing assistance like cash, food, and housing. Therefore, after October 1, 1999, TANF funding for a program similar to RECI, which funds *services* to eligible populations, would have to be from the current TANF appropriation (not from unobligated reserves).

Generally, state law requires TANF funds to be used on current or former WAGES recipients, or other populations eligible for diversion as provided for in state law. Because of these state and federal requirements, the types of projects envisioned to be implemented under RECI generally fall into one of three categories when determining whether such projects may be funded using TANF funds. These categories include those projects which may be funded with TANF funds (e.g., training, wage subsidies, transportation), those projects which cannot be funded using TANF funds (e.g., infrastructure improvements, commercial development), and those projects that -- depending on the way the projects are structured --

could be funded using TANF funds (e.g., clean up projects, housing upgrades).

Future TANF funding is uncertain. According to an article entitled “Eight Questions to Ask about Welfare Reforms,” in the January 1999 issue of *State Legislatures* magazine, “states risk losing some of the federal block grant if they do not spend it now. Both Congress and the White House have raised the possibility of reducing TANF block grants. They have already cut the social services block grant and administrative expenses for food stamps and Medicaid have been shifted to the states. Even though cutting the TANF block grant would violate the arrangement built into the program, federal officials are likely to think hard about it this session, particularly if states continue to have substantial amounts not spent.”

Summary and Analysis

Common themes relating to the structure of a community redevelopment initiative have surfaced from the surveys and interviews carried out under the purview of this report. These themes include the following:

- community redevelopment projects must have realistic time lines for completion of projects. Most survey respondents indicated more than two years is needed to complete redevelopment projects, while one community development professional stated that neighborhood revitalization takes 10 years;
- “grassroots” community development efforts work best, and all partners, including the neighborhood must “buy into” the effort;
- community redevelopment initiatives must be comprehensive, by addressing the full range of significant issues within the community;
- all distressed communities should be given the opportunity to participate;
- funding for projects should “fit” project initiatives; and
- a community redevelopment program should be simple, easy to participate in, and be complementary of existing programs.

RECOMMENDATIONS

Given that survey responses indicate barriers, including the lack of funding, still exist between communities and the achievement of community redevelopment, a

community development program, similar to RECI, may be advantageous.

The basic tenets of RECI are community participation, the leveraging of resources, the promotion of comprehensive redevelopment initiatives, and benefit of participants in the Work and Gain Economic Self-sufficiency (WAGES) Program. These basic tenets are not in opposition to the common themes found in the report. The Legislature may wish to consider a modification to RECI which builds on existing systems, retains the basic tenets of RECI, and incorporates the feedback found in this report into the program structure.

A modified RECI proposal for community redevelopment could provide needed funding to assist in the implementation of existing community redevelopment plans, including, but not limited to, those plans required under Florida Main Street program, Front Porch Florida, sustainable community, enterprise zone, or neighborhood improvement district. The following proposal is not intended to represent an all-encompassing community redevelopment model, but rather an appropriate way to link WAGES strategies and community redevelopment in distressed areas.

Funding -- The modified proposal would provide eligible communities with TANF funds to carry out TANF eligible projects which are included in the community’s existing redevelopment plan. These funds would be for the benefit of current and former WAGES Program participants in distressed communities. The Legislature could also expand this population to include other qualifying individuals in these areas defined as “needy.” The benefit of this funding structure is the elimination of conflicts between projects and funding source.

Application -- Communities eligible for this proposal would be those distressed communities which have a high concentration of current or former WAGES Program participants (or other “needy” populations as defined by the Legislature), and are implementing a comprehensive community redevelopment plan which has the support and involvement of the community. The benefit of this application structure is broad community applicability, targeting WAGES Program participants, and assured community involvement. Furthermore, limiting participation to those communities which are implementing comprehensive community redevelopment plans will promote the leverage of other funds, expedite projects, serve to

eliminate duplicative planning efforts by communities, and simplify administration for the administrative entity, while still ensuring the implementation of a comprehensive redevelopment initiative.

Administration -- Grants could be made available on a first-come, first-serve basis from a designated administrative entity, such as the Department of Community Affairs, with technical expertise from the Department of Children and Family Services, to eligible communities. This would allow communities to come forward with applications for TANF grants when the community is ready to implement TANF eligible projects, thus promoting cohesiveness with the comprehensive community redevelopment plan. Upon demonstration of fiscal accountability, a local

administrative entity could be designated which could include community-based organizations, nonprofit organizations, or local government.

Implementation -- Approved projects would be implemented immediately, and in keeping with TANF requirements, would be required to be completed anywhere between 12-24 months. This time frame should be workable, as the time frame applies only to the TANF funded projects, which are characteristically shorter term projects (training, wage subsidies, transportation).

COMMITTEE(S) INVOLVED IN REPORT (*Contact first committee for more information.*)

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MEMBER OVERSIGHT

Senators George Kirkpatrick and Betty S. Holzendorf